

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

EX PARTE OR LATE FILED



November 8, 1994

VIA OVERNIGHT MAILHon. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

NOV 9 1994

Re: PR Docket No. 94-105; Ex Parte Presentation, *ET AL*

Dear Mr. Caton:

In accordance with 47 C.F.R. {1.1206(a)(1)}, I am submitting herewith two copies of the attached letter which contains information requested by staff members of the Federal Communications Commission.

Sincerely,

Ellen S. LeVine
Principal Counsel

ESL:dp

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PUBLIC UTILITIES COMMISSION

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SAN FRANCISCO, CA 94102-3298

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November 8, 1994

VIA OVERNIGHT MAILDoron Fertig
Office of the General Counsel, Competition Division
Federal Communications Commission
2033 M Street
Washington, DC 20554

NOV 09 1994

FEDERAL COMMUNICATIONS COMMISSION

Re: PR Docket No. 94-105; Ex Parte Presentation

Dear Mr. Fertig:

This letter responds to your request, made during our telephone conversation of October 28, 1994, for clarification of financial data presented in the appendices of the California Public Utilities Commission's (CPUC) petition in the above-referenced proceeding.

Our rate of return calculations are based on annual reports filed by the cellular carriers with the CPUC. These reports are on a per entity rather than a per metropolitan statistical area (MSA) basis. In other words, the cellular carriers file a single annual report for all of the areas they serve. Cellular carriers in the same urban markets may report for different service areas. For example in the Sacramento market, Sacramento Cellular Telephone Company's annual reports reflect operations in the Sacramento and Yuba City MSAs while Sacramento Valley Limited Partnership annual reports reflect the results of operations not only in the Sacramento and Yuba City MSAs, but also in the Stockton, Modesto and Chico MSAs. Similarly, in the San Francisco Bay Area, the annual reports of Bay Area Cellular Telephone Company include only results for the heavily populated San Francisco-Oakland-San Jose area while GTE Mobilnet's annual reports also include results for less dense areas such as the Vallejo, Santa Rosa, Salinas MSAs and the San Luis Obispo Rural Statistical Area (RSA). In addition, on page B-3 of Appendix B of the CPUC's petition, the Oxnard MSA should be included as part of the Los Angeles SMSA Limited Partnership serving area.

The After-Tax Rates of Return in Appendix F of the CPUC's Petition represent return on net plant. (These same rates of return also appear in Appendix G.) Return on net plant was calculated by dividing each company's after tax net income by its average net plant. The source for income and plant data was annual reports filed with the CPUC.

The effect of state and federal taxes were estimated using a pro-forma calculation. First, the net income was reduced by 9.2% to account for California corporate income tax. Next, the resulting income was reduced by 34% to account for federal income taxes.

Doron Fertig
November 8, 1994
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The same percentages were used for all companies from 1989 to 1993. The resulting after-tax net income became the numerator of our equation.

Average net plant for each year was estimated by taking the average of the beginning and end of year total gross cellular communications plant and subtracting the average of the beginning and end of year accumulated depreciation of cellular communications plant. This average net plant became the denominator of our return on net plant calculations.

Plant per subscriber and operating income per subscriber figures in Appendix H represent total plant and pre-tax income.

If you have any additional questions, please contact me at 415-703-2334.

Sincerely,

A handwritten signature in black ink that reads "Brian Roberts". The signature is written in a cursive, slightly slanted style.

Brian Roberts
Regulatory Analyst

BR:dp

cc: Regina Harrison